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Ministry of Forests

B.C. OBJECTS TO 'BRUTAL' DECISION

VICTORIA – Forests Minister Michael de Jong expressed outrage today as the U.S. Department of Commerce announced duties of 29 per cent to be imposed on imports of Canadian softwood lumber. The announcement came hours after negotiations broke down in Washington, D.C.

"This is a brutal kick in the teeth for British Columbia's forest industry and communities," said de Jong. "We have just come through three weeks of tough negotiations that we now know were no more than a travesty and a charade. We put forward solid proposals that would have been good for B.C., while meeting the stated U.S. concerns. But it is apparent the U.S. government continues to be bullied by a few powerful lumber barons in the U.S. South."

The talks broke down when the U.S. refused to accept an independent dispute resolution process considered critical by British Columbia and other provinces because of the powerful influence of the U.S. lumber lobby.

Canadian federal and provincial governments had proposed extensive forest policy reforms, with an interim export tax to apply while new policies were implemented. The U.S. demanded that Canada drop its legal challenges and accept a countervailing duty rate of 19.3 per cent plus an anti-dumping duty of 9.67 per cent. The Canadian team did not find these terms acceptable.

"We've always followed a two-track process, and we will continue to fight this unfair decision through our legal appeals before the World Trade Organization and the North American Free Trade Agreement," said de Jong. "We'll see you in court, Uncle Sam."

Today's determination involves a countervailing duty of 19.34 per cent and an anti-dumping duty of 9.67 per cent. However, companies will not have to start posting cash payments until after the U.S. International Trade Commission makes its ruling in May.

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Backgrounder attached.

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U.S. DUTIES ON CANADA'S SOFTWOOD LUMBER

The U.S. Department of Commerce made its final determination today in the countervailing duty and antidumping investigations. Final rates have been set at 19.34 per cent for the countervailing duty and 9.67 per cent for the anti-dumping duty.

However, cash payments on these final rates will not be required until May. The U.S. International Trade Commission first needs to rule on whether Canadian softwood lumber imports have caused injury to the U.S. lumber industry. The trade commission will make its final determination on May 6. If the commission determines that injury has occurred, the final countervailing and anti-dumping duties will be applied on or about May 13. Until then, companies will continue to post bonds, but at the new anti-dumping rate (the preliminary countervailing duty rate was applied only from August to December 2001).

The anti-dumping duty of 9.67 per cent is an average of the rates applied to six companies investigated by the U.S. Department of Commerce. The six firms investigated in the case pay their individual duty as calculated by the department. Canfor will pay 5.96 per cent, Slocan 7.55 per cent, Weyerhaeuser 15.83 per cent, West Fraser 2.26 per cent, Tembec 12.04 per cent and Abitibi-Consolidated 14.6 per cent. All other companies pay the 9.67 per cent rate.

The bonding requirement has drawn down companies' access to credit over the past year. The requirement to make cash payments for these duties in May will reduce profit margins, causing downtime and mill closures, especially during market downturns.

Canada's Legal Challenges

Canada has legally challenged these U.S. measures before the World Trade Organization and the binational dispute settlement mechanism of the North American Free Trade Agreement.

Before the World Trade Organization, Canada is challenging:

- The U.S. determination that Canadian softwood lumber production is subsidized. The first hearing is scheduled for April, with the final report due by Aug. 30.
- The U.S. determination that imports of Canadian lumber are "dumped" (at prices lower than in home market) into the U.S. market. Consultations have not yet been scheduled.
- The U.S. refusal to refund duty deposits, if the WTO rules in Canada's favour. Hearings have been held, with the final report due by June 30.

Under NAFTA, Canada is challenging the U.S. Department of Commerce's final countervailing duty and anti-dumping determinations. In late February, the Government of Canada filed a notice of intent requesting a binding panel be established to review the final determination. This is the first step in NAFTA proceedings, with a final panel report expected by Dec. 31.

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